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SUMMARY

GENERAL

- 1. USSR undercuts world market petroleum prices in deal with Egypt (page 3).
- 2. Embargo against Chi na may be threatened by Japanese request for exception (page 3).

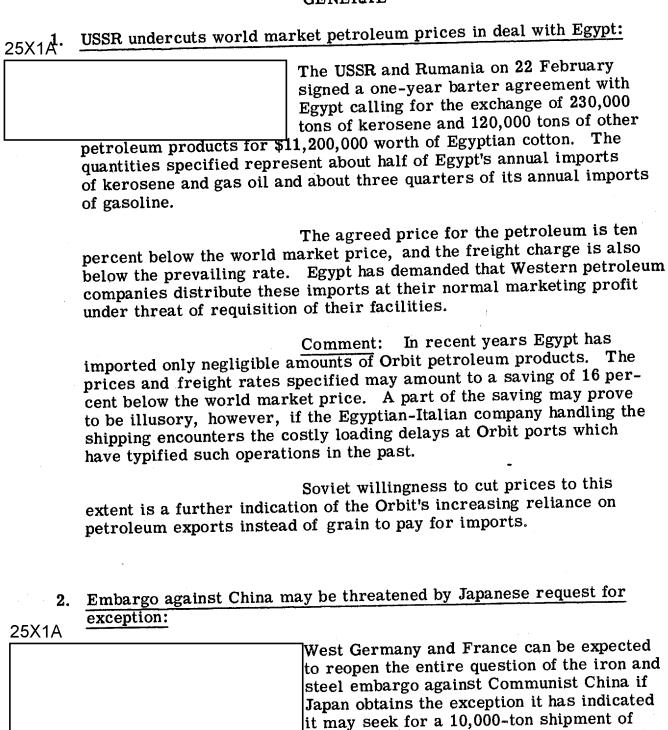
NEAR EAST - AFRICA

- 3. Britain outlines proposal for participation in Iranian oil consortium (page 4).
- 4. Shah and Zahedi disappointed at amount of American aid (page 5).
- 5. Jamali publicly aligns Iraq with West (page 5).

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GENERAL



galvanized iron sheets. American officials in Bonn and Paris point out that in the China

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	Committee for the control of strategic shipments to China and North Korea, both Germany and France agreed to the embargo last fall only on condition that Japan refrain from shipping such products to China.

Comment: Japan can cite assurances of last September that the United States would support a Japanese request for exception to permit shipment of galvanized iron sheets less than 0.4mm thick, provided an adequate quid pro quo were obtained. Now, however, pressure in Western Europe for expansion of East-West trade has so increased that almost any excuse is likely to be used for demanding reconsideration of the China embargo classifications.

NEAR EAST - AFRICA

3. Britain outlines proposal for participation in Iranian oil consortium:

The British government is now willing to limit the Anglo-Iranian Oil Company to a 44-percent share in the proposed international oil consortium to market Iranian oil. Remaining shares would be divided equally among five American companies, the Compagnie Francaise de Petroles, and Royal Dutch Shell. The British proposal stipulates that total American holdings must not be larger than that of AIOC.

The American embassy in London thinks the British might eventually agree to restricting AIOC's share to 40 percent.

Comment: Britain had previously insisted that British companies should have at least a 51-percent interest in any international marketing consortium, and Iran had refused to consider the idea of British control.

Iran might accept this 44-percent formula as a face-saving device since it can be exploited as indicating that AIOC will not control the consortium. The British interest in Shell is 40 percent, however, which might raise suspicion that British influence would dominate the voting of Shell's eight-percent interest.

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25 <u>X1A ^{4.} </u>	Shah and Zahedi disappointed at amount of American aid:
	The shah and Prime Minister Zahedi are deeply disappointed that the United States can make available to Iran only \$6,000,000 in additional emergency
.	financial aid, the American embassy reported on 23 February. Both emphasized that substantial American aid is necessary to finance the government until oil revenues are again available.
	Zahedi expressed fear that his opposition, which is already charging that he sold out to the United States for an insignificant amount of aid, would make additional political capital out of the size of the grant. He added, however, that he would accept the \$6,000,000 if it could be made to appear as an expansion of the previous \$45,000,000 grant rather than as a new one.
	recurring budget deficit of several million dollars a month when American emergency financial aid expires in April. Iran's precarious financial position will undoubtedly be the subject of Majlis debate when that body meets, and it is likely that Zahedi will face his first serious parliamentary attack on that issue.
5. 25X1A	Jamali publicly aligns Iraq with West: Prime Minister Jamali publicly announced on 24 February that Iraq will stand by the

stated that "in the light of Iraq's interest," his country would consider adhering to the recently concluded Turkish-Pakistani agreement if an invitation were received.

West and will ask for military aid to fortify its defenses against aggression. He also

Comment: Jamali's announcement is uniquely pro-Western for an Arab leader, coming as it does on an issue which may jeopardize his career as prime minister.

His conditional approval of the pact and bid for American aid will be severely denounced by other Arab states.

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Egypt and Syria, with Saudi backing, are already waging a press and radio campaign against Iraq. The Egyptian press is vehemently criticizing American efforts to attract Iraqi cooperation.

The effort toward alignment with the West challenges Iraqi nationalism and might stir up serious antigovernment demonstrations.

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